

TEACHERS' RETIREMENT BOARD  
SUBCOMMITTEE ON CORPORATE GOVERNANCE

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SUBJECT: Approval of Minutes of the November 6, 2002  
Subcommittee on Corporate Governance, Open Session

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION:   X  

DATE OF MEETING: December 4, 2002

INFORMATION:           

PRESENTER(S): Chairperson

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Proposed minutes of the Subcommittee on Corporate Governance meeting held in open session November 6, 2002 are submitted as Attachment 1.

**PROPOSED  
MINUTES OF THE  
SUBCOMMITTEE ON CORPORATE GOVERNANCE  
OF THE  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
NOVEMBER 6, 2002  
OPEN SESSION  
BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA**

**SUBCOMMITTEE MEMBERS PRESENT**

Ted Eliopoulos, representing State Treasurer Philip Angelides, Chairperson  
Karen Russell  
Jay Schenirer  
Carolyn Widener  
Annette Porini, representing State Director of Finance, Tim Gage  
Louis Willhoit, representing State Controller Kathleen Connell  
Richard Whitmore, representing State Superintendent of Public Instruction, Delaine Eastin

**OTHER BOARD MEMBERS AND REPRESENTATIVES PRESENT**

Gary Lynes  
Anne Stausboll  
Christine Solich

**STAFF PRESENT**

Jack Ehnes, Chief Executive Officer  
Christopher Ailman, Chief Investment Officer  
Elleen Okada, Director of Investment Administration and External Relations  
Chris Waddell, Chief Counsel  
Doug Wills, Staff Counsel  
Ed Derman, DCEO, External Affairs and Program Development  
Janice Hester Amey, Principal Investment Officer  
Michelle Cunningham, Director of Fixed Income  
Steven Tong, Director of Internal Equities  
Mary Ann Avansino, Administrative Assistant

**OTHERS PRESENT**

Ian Lanoff, Groom Law Group  
Allan Emkin, Pension Consulting Alliance  
Beverly Carlson, CTA  
Arlene Pavey, CRTA  
Michael Green, CTA  
Edna White, CRTA  
Loretta Toggenburger, UTLA, Retired  
Ellen Logue, CRTA  
Steve De Pue, CTA

- I. **CALL TO ORDER AND ROLL CALL** (Item 1)  
A quorum being present, Acting Chairperson Eliopoulos, called the open session meeting to order at 8:40 a.m.

- II. **APPROVAL OF MINUTES OF THE OCTOBER 2, 2002 SUBCOMMITTEE ON CORPORATE GOVERNANCE, OPEN SESSION** (Item 2)

MOTION duly made by Ms. Widener, seconded by Ms. Porini and carried to approve the minutes of the October 2, 2002 Subcommittee on Corporate Governance, Open Session as presented.

- III. **FINANCIAL MARKET REFORM** (Item 3)  
Ms. Hester Amey presented a proposed prioritization scheme and updates to the Financial Reform Matrix. Discussion ensued.

BY CONSENSUS, the prioritization scheme and updates to the Financial Reform Matrix report were accepted.

- IV. **INVESTMENT PROTECTION PRINCIPLES - UPDATE** (Item 4)  
Ms. Hester Amey reviewed the mailing and responses of the Investment Protection Principles and the Questionnaire that were sent to all of CalSTRS' investment managers and directed brokerage relationships. Ms. Okada reviewed the timeline and stated that the final target date be would be moved to January 15<sup>th</sup>.

- V. **2002 PROXY SEASON REPORT** (Item 5)  
Ms. Hester Amey reviewed the written report. She reported that 7,000 votes were cast on proxy issues of the 2,700 companies held in the CalSTRS domestic portfolio. She introduced Ted Nishio, Richard Kwong and Tiffany Manzitto, the staff responsible for reviewing and voting the proxies along with Ms. Hester Amey. Discussion ensued.

A public statement was heard from Ms. Carlson, CTA liaison. Ms. Carlson stated that historically CTA has been very concerned with human and civil rights issues. At CTA's direction Ms. Carlson asked what action has been taken regarding investment in Unocal?

Mr. Ailman reviewed the issue of CTA's concern with Unocal's participation in a joint venture to build an oil pipeline through Myanmar (Burma). Following a military action, the Myanmar government changed hands and there were reports of villagers taken to work as slave labor on the pipeline. Unocal claimed that they did were not involved in the action.

The State Council of Education approved the following position at their meeting on October 13, 2002, "The state Council directs the CTA liaison to CalSTRS to ask the retirement system to use their shareholder proxy votes in Unocal to affect positive change".

Ms. Hester Amey reported that CalSTRS voted in favor of the shareholder proposal regarding labor practices for the Unocal votes taken for the May 1, 2002 meeting. Options for future actions could include placement on the focus list, letters to management expressing displeasure on the joint venture and action of the new government, and support of shareholder proposals.

Ms. Carlson requested a summary of the Unocal issue to take to the CTA winter meeting.

Mr. Whitmore stated for the record that it is important to have the policies in place to allow staff to make these votes as the issues arise instead of managing proxy vote decisions company by company and if there is a need for additional action the company should be placed on the focus list.

VI. **DRAFT AGENDA FOR THE DECEMBER SUBCOMMITTEE ON CORPORATE GOVERNANCE MEETING** (Item 6)

The changes to the draft agenda were the addition of a report on mutual funds compliance with proxy voting disclosure and postponement of the executive compensation disclosure discussion to the February meeting.

VII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 7)

There were no further statements from the public.

VIII. **MOVE TO CLOSED SESSION**

Acting Chairperson Eliopoulos recessed the meeting and reconvened into closed session at 9:32 a.m.

IX. **ADJOURNMENT**

Acting Chairperson Eliopoulos stated that while in closed session the Subcommittee discussed litigation issues. There being no further business to conduct, the meeting was adjourned at 9:40 a.m.

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Jack Ehnes, Chief Executive Officer and Secretary to the Teachers'  
Retirement Board

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Philip Angelides, Chairperson